CANADA'S EXPORT STRATEGY

The International Trade Business Plan

1995/96

An Integrated Plan for Trade, Investment and Technology Development

The International Trade Business Plan is made up of an **Overview** highlighting Canada's international business development priorities, and a series of **Industry Sector Strategies**, which include lists of planned international activities. The following documents are available:

Overview

1. Advanced Manufacturing Technologies
2. Agriculture and Food Products
3. Aircraft and Parts
4. Automotive
5. Biotechnologies
6. Business, Professional and Educational Services
7. Chemicals, Plastics and Advanced Materials
8. Construction Products
9. Consumer Products
   - Apparel and Fur
   - Textiles
   - Footwear
   - Sporting Goods (including recreational watercraft)
   - Tools, Hardware and Housewares
   - Residential Furniture
   - Business and Institutional Furniture
10. Cultural Industries
11. Defence Products
12. Environmental Equipment and Services
13. Fish and Sea Products
14. Forest Industries
15. Information Technologies and Telecommunications
    - Sector Overview
    - Computers and Peripheral Equipment
    - Electronic Components
    - Geomatics
    - Instrumentation
    - Software Products and Computer Services
    - Telecommunications
16. Medical and Health-Care Products and Services
    - Medical Devices
    - Pharmaceuticals
    - Health-Care Services
17. Minerals and Metals
18. Oil and Gas Products and Energy Equipment
19. Power Equipment
20. Primary/Secondary Industrial Machinery
    - Mining, Forestry, Pulp and Paper
    - Agricultural Technology, Machinery and Equipment
    - Ocean and Marine Shipboard Technology
21. Rail and Bus Equipment
22. Space
23. Tourism

For information on how to receive the Overview, or additional Industry Sector Strategies, please call: **1-800-267-8376**

All monetary figures in this document are expressed in Canadian dollars unless otherwise indicated.

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Aussi disponible en français sous le titre Industrie forestière.

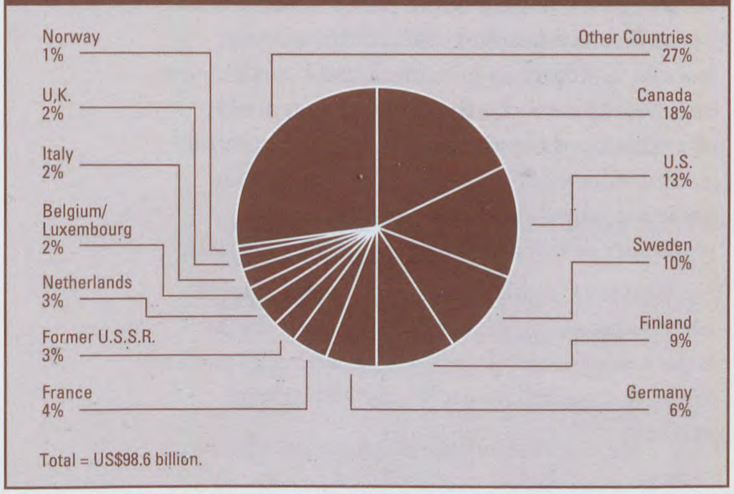
Forest Industries

The forest products industry is composed of two major groups: paper and allied industries and wood industries. Wood-based building products are covered in greater detail in the Construction Products section of the International Trade Business Plan.

The paper and allied industries group is made up of two distinct segments: pulp and paper (market pulp, newsprint, fine papers) and converted paper products (packaging, coated papers, tissue products).

The wood industries group consists of three segments: commodity products (softwood and hardwood lumber and plywood, oriented strandboard, particleboard, miscellaneous panelboard products) and value-added semi-finished and finished wood products. Semi-finished products include a large range of items, including door and window stock, ladder rails, window blanks, roof/floor products, treated wood, machine stress rated (MSR) lumber, laminated products, clear, shop and flitch-type products, speciality and other custom products. Finished products include kitchen cabinets, windows, doors, manufactured housing and its various components, sidings, decking, panelling, concrete form specialities, shelving and facia.

Figure 1 — World Exporters of Forest Products, 1990 (%)



Source: Food and Agriculture Organization of the United Nations, 1991 Yearbook of Forest Products, compiled by Natural Resources Canada — Canadian Forestry Services

The forest products industry is largely Canadian owned, and consists of over 4300 establishments spread across the country. In 1993, it generated $41 billion in shipments, with exports of $26.6 billion and imports of $4.5 billion. This trade surplus of over $22 billion makes it the single largest net contributor to Canada's balance of trade.

The industry is a major economic force in all regions of the country. It represents about 47 percent of manufacturing in British Columbia, 19 percent in Atlantic Canada, 15 percent in Quebec, 11 percent in the Prairie provinces and 8 percent in Ontario. In fact, the industry is the major or sole employer in about 300 Canadian communities.

International Environment

Canada is the world's largest exporter of manufactured forest products. In 1990, its share of the world market was 18 percent, followed by the United States at 13 percent, Sweden at 10 percent and Finland at 9 percent. The industry is heavily oriented to the production of commodities such as newsprint and softwood lumber, which account for about 80 percent of total exports. A major objective of the industry is to maintain and increase its market share globally. Another long-term objective is to accelerate the shift to add value (price/demand/acceptance) to the commodities. World data for 1990 are shown in Figure 1.

Several environmental factors have an important impact on the competitive position of the industry internationally, including:

- waste management;
- effluent emissions controls;

- recycling;
- land-use policy;
- forest management practices;
- chlorine bleaching of pulp and paper;
- recycled paper content requirements in the United States;
- pulp bleaching requirements in Germany, which present important marketing challenges; some Nordic producers are particularly well-placed to meet the environmental preferences of more consumers, such as Germany, where consumer market preference is for totally chlorine-free (TCF) pulp and paper products.

Growing competition can also be expected from new competitors in non-traditional producing areas. For example:

- Brazilian, Chilean and Indonesian pulp producers are growing in importance.
- A U.S. company recently announced its intention to construct two oriented structural board (OSB) mills in Venezuela.
- New Zealand and Chile are exporting wood products.
- Domestic production is increasing in Europe.

Changes occurring in emerging markets in Eastern Europe, Mexico and South Africa offer new market opportunities. Eastern Europe, however, may over the long term create both added competition in Europe and new market opportunities for Canadian exports. The North American Free Trade Agreement (NAFTA) is expected to spell new opportunities for Canadian companies, particularly in Mexico. The preferential entry for construction lumber will not be realized until the timber frame construction building system for housing becomes better known and accepted.

Canadian Position

In 1993, the paper and allied industries group exported shipments valued at $14.8 billion (69 percent of total shipments), and the wood industries group exported shipments valued at $11.9 billion (61 percent of total shipments).

The United States is Canada's most important export market and in 1993 accounted for some 70 percent of the value of export shipments. It will continue as the industry's major export market for newsprint, market pulp and softwood lumber. Market potential is linked directly to Canada's ability to compete with U.S. domestic producers, and unimpeded access to the market.

Japan and the European Union (EU) follow, accounting for roughly 12 percent and 9 percent respectively of total exports. Exports of Canadian forest products to the EU recorded a sharp decline compared to 1992. The factors involved included a severe recession in Europe and a corresponding decline in demand, currency devaluation benefiting Scandinavian competitors, and plant health restrictions on coniferous lumber.

Japan, the world's largest net importer of solid wood products, is Canada's largest single market for forest products, after the United States. The recent approval of new product standards for structural board and lumber products, acceptance in the Japanese building code of three-storey wooden buildings in prescribed areas, and the new housing initiatives by the Japanese government offer enhanced export opportunities for commodity and value-added wood products. There is scope for growth in this market during the remainder of the 1990s and into the next century.

Western Canadian offshore exports of solid wood products go primarily to the Asia-Pacific region, particularly Japan, while Eastern Canadian mills are more reliant on Western European markets.

Export opportunities are also emerging in other Pacific Rim countries, in Mexico, and in selected African countries (e.g. Algeria, South Africa) and the Middle East (e.g. Kuwait, Iran, Saudi Arabia).

Strategic Direction

Access Issues

The following are key issues that will be addressed by the Government in 1995-96, and some initiatives that will follow from them.

- Questions of market access remain extremely important, and have a significant impact on Canadian competitiveness and future prospects. The key issues that will be dealt with are:
  - achieving a long-term solution to the U.S.-imposed countervailing duty of 6.51 percent on softwood lumber imported from Canada;
  - harmonizing Canadian and U.S. plywood standards, CEN-Eurocodes, and JAS standards in Japan and following up on the Japanese Mutual Recognition proposal for building products;
  - ensuring that the new regulations regarding the perceived risk of pinewood nematode infestation in softwood lumber, which were introduced in the EU and in other countries such as Korea, are based on scientific fact. Co-operate and co-ordinate with U.S. associations and government agencies for mutual benefit;
  - increasing Canadian newsprint quota that enters the EU duty free;
  - increasing the Canadian softwood plywood quota that enters the EU under a GATT-bound duty-free quota;
  - addressing the discrepancy of EU duty on high-quality coated paper of 9 percent (6 percent by 1999) while equivalent tariffs into Canada are 1.5 percent to 2.5 percent;
  - eliminating restrictions (e.g. higher tariffs than on comparable foreign softwoods) faced by Canadian spruce/pine/fir (SPF) lumber and plywood entering Japan;
  - supporting the continuing market access work of the industry-led Co-operative Overseas Market Development Program (COMDP);
  - continuing to negotiate the elimination of tariff and non-tariff barriers to forest products exports worldwide through the World Trade Organization (WTO).
- Increase customers' knowledge of Canada as a leader in developing environmentally friendly forest products based on a renewable resource and recyclable products, by:
  - developing a communication strategy to accurately portray Canadian forest management to counteract misinformation, primarily in the European market, that could seriously harm Canadian forest product exports. There is a need to monitor developments in the United States and Japan on this issue (Department of Foreign Affairs and International Trade [DFAIT], National Resources Canada-Canadian Forest Service [NRCan-CFS]);
  - supporting association offices, in conjunction with Canadian embassies and officers abroad, to factually portray Canadian forest management practices (DFAIT/missions, Industry Canada [IC], NRCan-CFS);
  - co-ordinating federal-provincial activities into a more cohesive strategy that is industry led. This will include closer co-ordination of efforts in government departments, missions abroad, the Canadian Pulp and Paper Association (CPPA) office in Brussels, the Council of Forest Industries (COFI) offices in London and Aachen, provincial offices of the B.C. government, Forest Alliance and the Canadian Council of Forest Ministers (CCFM) activities.

- Promote greater inflow of scientific and technological information from other countries by:
  - organizing outgoing and incoming technical missions, speaking tours and scientific exchanges to Europe, Scandinavia and the U.S. to address issues and explore new technical solutions in the pulp and paper sector, including converted paper products (DFAIT, IC, NRCan-CFS);
  - supporting independent organizations, such as the Canadian Standards Association (CSA) and the International Standards Organization (ISO), as potential candidates to set up a national forest management certification system to be accepted internationally to help consumers identify forest products from sustainable managed forests (CPPA, COFI).
- Improve co-ordination between industry associations (e.g. Structural Board Association, Canadian Manufactured Housing Institute, COFI, British Columbia Wood Specialities Group, Bureau de promotion des industries du bois, Canadian Wood Council, CPPA) by:
  - developing the recently formed Canadian Forest Products Export Council (CFPEC) to provide a forum for co-ordination between industry associations and programs (IC, industry associations, DFAIT, NRCan-CFS, provinces);
  - emphasizing the necessity of industry associations to disseminate product information and market intelligence and to expand export readiness training (DFAIT, IC);
  - encouraging industry associations in long-term export marketing strategies and activities, and strengthening their trade development activities through COMDP and the Co-operative Industrial Market and Development Program (CIMDP) (DFAIT, IC, provincial governments);
  - supporting the environmental issues activities of the CPPA office in Brussels (DFAIT, IC, NRCan-CFS), provinces).
- Encourage market development by:
  - promoting the recent establishment and expanding the activities of the Forest Industries Marketing Strategy (FIMS) group to co-ordinate and assess government funding for international marketing activities by associations in this sector (DFAIT, IC, federal agencies, provincial governments);
  - supporting the process of exploring the potential integration of international marketing efforts, and rationalizing support of overseas offices through the co-ordination and execution of forest industries programs under one industry umbrella organization to offshore markets (DFAIT, IC, provincial governments);
  - developing a Canadian Building Products Export Council (CBPEC) to encourage the development of new sectoral export marketing strategies for primarily non-wood building products (IC);
  - expanding tripartite efforts, like CIMDP-Western Canada, for value-added wood products and establishing an umbrella CIMDP program in Eastern Canada to include the present separate CIMDP-proposed programs in Quebec and New Brunswick/Nova Scotia. Encourage the newly formed Wood Panel Export Market Development Program to help firms to expand and diversify markets (DFAIT, IC, provincial governments);
  - pursuing opportunities arising from the NAFTA to establish a presence in the Mexican market (DFAIT, IC).
- Expand opportunities within priority markets and promote value-added products by:
  - focussing existing market intelligence and trade development activities on priority markets such as the United States, Western Europe, Japan, other Pacific Rim countries (e.g. Taiwan, Korea, the People's Republic of China), Mexico and the Middle East (DFAIT, IC, provinces);

- building on the very high earthquake-resistant qualities of timber frame construction (TFC), in the earthquake-prone markets of the world (DFAIT/missions);
- building on key Canadian technologies and products, including TFC and related building products such as lumber, panel board, and higher value-added building products (DFAIT, IC, provinces);
- emphasizing the promotion of wood-frame demonstration housing construction to export markets, as a vehicle to increase sales of related building products and materials (DFAIT, IC);
- developing a strategy and support documentation to promote Canadian forestry and forest management systems, expertise, technology and equipment (NRCan-CFS);
- improving federal-provincial co-operation in international marketing by increasing the use of the federal-provincial Forest Industries Development Committee (FIDC) as a vehicle for dissemination of market information (DFAIT, IC, provinces);
- promoting strategic alliances with foreign investors interested in investing in Canada (DFAIT, IC, provinces);
- expanding British Columbia's "Canada Comfort Direct" marketing initiative in Japan to other provinces (BCTDC, DFAIT, IC);
- establishing building products "teams" in selected provinces to better co-ordinate federal-provincial promotional export market development activities (DFAIT, IC);
- assigning forest sector personnel at selected overseas posts to support trade policy and trade development objectives (DFAIT, IC, industry).

Contacts

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Forest Industries

Activity	Date	Location	Dept.	Contact
Africa and the Middle East				
Saudi Build '95: Info Booth	Oct-95	Riyadh	DFAIT	613-944-5984
Saudi Buyers' Mission to BATIMAT '95	Nov-95	Paris	DFAIT	613-944-5984
Canada				
Manufactured Housing Buyers' Mission from Tokai	June-95	Canada/Various	DFAIT	613-995-1678
Construction Mission from Spain	Jun-95	Montréal, Toronto, Maritimes	DFAIT	613-996-7544
Building Materials Mission from Japan	Jun-95	B.C., Alberta	DFAIT	613-995-1678
Manufactured Housing Buyers' Mission from Osaka	Nov-95	Canada/Various	DFAIT	613-995-1678
Incoming Mission from Japan (post-NAHB)	Jan-96	Vancouver Area	DFAIT	613-995-1678
Central/Eastern Europe and the Commonwealth of Independent States				
Building Mission to Latvia, Estonia	Apr-95	Riga, Tallin	DFAIT	613-944-1437
East Asia				
Taiwan Timber-Frame Manufacturers' Mission	Apr-95	Canada/Various	DFAIT	613-943-0897
IBEX '95: Info Booth	Jun-95	Hong Kong	DFAIT	613-995-6962
Wood Products Mission	Jun-95	B.C., Alberta	DFAIT	613-995-8744
Taipei Construction/Building Materials Show: National Stand	Dec-95	Taipei	DFAIT	613-943-0897
Building South China '95: Info Booth	Mar-96	Hong Kong	DFAIT	613-995-6962
Japan				
Building Standards Harmonization Mission	Apr-95	Tokyo	DFAIT	613-995-1678
Canadian Building Products Exhibit	Ongoing	Japan/Various	B.C.	604-844-1952
Tokyo Good Living Show	Ongoing	Tokyo	B.C.	613-995-1678
Osaka Building Materials Show: Info Booth	May-95	Osaka	DFAIT	613-995-1678
Off-site Housing Redevelopment Product Promotion	Jun-95	Tokyo	DFAIT	613-995-1678
Aichi Housing Fair: Info Booth	Sep-95	Nagoya	DFAIT	613-996-2458
Japan Home Show: Booth & Seminar	Oct-95	Tokyo	DFAIT	613-995-1678
Prefabricated Housing Seminars	Oct-95	Japan/Various	DFAIT	613-995-1678
Regional Building Products Fairs: National Stand	Oct-95	Sapporo, Sendai	DFAIT	613-995-1678
Canadian Building Products Show	Oct-95	Nagoya	DFAIT	613-995-1678
Building Products Mission from Nagoya	Oct-95	B.C., Alberta	DFAIT	613-995-1678
Canadian Building Materials Show	Oct-95	Fukuoka	DFAIT	613-995-1678

Note: Dates and locations are subject to change.

Activity	Date	Location	Dept.	Contact
Canadian Building Materials Show & Seminar	Oct-95	Osaka	DFAIT	613-995-1678
Panel Users' Mission from Japan	Feb-96	Vancouver, Calgary	DFAIT	613-995-1678
West Japan Total Living Show	Mar-96	Fukuoka	DFAIT	613-995-1678
Latin America and the Caribbean				
NEWMEX: New Exporters' Mission	05-Nov-95	Mexico	DFAIT	613-995-0460
CONSTRUEXPO: National Stand	17-Nov-95	Guadalajara	IC	613-954-3126
Multiple Markets				
WoodTech '96	Sep-96	Vancouver	B.C.	604-844-1921
United States				
Western Red Cedar Marketing Project	Ongoing	U.S.	WED	604-666-1314
Recycled Building Products Market Seminar	May-95	Los Angeles	DFAIT	613-944-7486
Remodellers Show: National Stand	Oct-95	Atlanta	DFAIT	613-944-7486
Exploratory Mission to Atlanta	10-Oct-95	Atlanta	IC	506-851-6445
Mission from L.A. to Wood Building Products Industry (B.C.)	Dec-95	Western Canada	DFAIT	613-944-7486
NAHB Houston: National Stand	Jan-96	Houston	DFAIT	613-944-7486
Retail Lumberman's Show: Mission	Jan-96	Boston	DFAIT	613-944-7486
Market Study: Value-Added Wood Products	Sep-96	Los Angeles	DFAIT	613-944-7486
Western Europe				
Interzum '95: Info Booth and Mission	May-95	Cologne	DFAIT	613-992-7001
Atlantic Canada Wood Producers' Mission	20-May-95	Hannover	IC	902-426-9955
BATIMAT: National Stand	Nov-95	Paris	DFAIT	613-992-7001
Construction Seminars on Canadian Wood Frame Technology	Feb-96	Spain/Various	DFAIT	613-996-7544
BATIBOUW: Info Booth	Mar-96	Brussels	DFAIT	613-992-7001

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Acronyms and Initialisms Used in The International Trade Business Plan

(This list does not include sector-specific references)

ACOA	Atlantic Canada Opportunities Agency
AG Can	Agriculture and Agri-Food Canada
ASEAN	Association of Southeast Asian Nations
BBS	electronic bulletin board system
BOSS	Business Opportunities Sourcing System
CCC	Canadian Commercial Corporation
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
CSA	Canadian Standards Association
DFAIT	Department of Foreign Affairs and International Trade
DFO	Department of Fisheries and Oceans
DND	Department of National Defence
EC	Environment Canada
EDC	Export Development Corporation
EU	European Union
FITT	Forum for International Trade Training
FORDQ	Federal Office of Regional Development - Quebec
FSU	former Soviet Union
FTA	Canada-U.S. Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
HRDC	Human Resources Development Canada
IC	Industry Canada
IDRC	International Development Research Centre
IFI	international financial institution
ISO	International Standards Organization
ITBP	International Trade Business Plan
ITC	International Trade Centre
MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
MDB	multilateral development bank
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NRC	National Research Council
NRCan	Natural Resources Canada
NRCan-CFS	Natural Resources Canada - Canadian Forest Service
OECD	Organization for Economic Co-operation and Development
PEMD	Program for Export Marketing Development
R&D	research and development
SMEs	small- and medium-sized enterprises
UNEP	United Nations Environmental Program
WED	Western Economic Diversification
WTO	World Trade Organization